

**STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES
July 2004**

DATE: August 20, 2004

TO: All Civil Service/Exempt Departments

FROM: State Controller's Office
Don Ward, Operations Manager
Personnel/Payroll Operations
(916) 322-8805

RE: PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES

This recaps the July 8, 2004 Personnel/Payroll Committee (PPRC) Meeting and provides information for the September 9, 2004 meeting.

We would like to thank those department representatives that participated in the July meeting for their time and effort. There were 46 representatives from 32 departments that participated in this meeting.

Personnel/Payroll Review Committee
July 8, 2004 Meeting Notes

The meeting was called to order at 1:30 by Don Ward

Departments represented:

Air Resources Board, Alcohol Beverage Control, California Highway Patrol, California Integrated Waste Management, CalPERS, Consumer Affairs, Corporations, Corrections, Developmental Services, Environmental Health Hazard Assessment, Financial Institutions, Fish and Game, Forestry and Fire Protection, Franchise Tax Board, General Services, Health and Human Services Data Center, Health Services, Housing and Community Development, Insurance, Lottery, Managed Care, Mental Health, Motor Vehicles, Parks and Recreation, Peace Officers Standards and Training, Personnel Administration, State Controllers Office, Statewide Health Planning Development, Transportation, Treasurer's Office, Water Resources and Water Resources Control Board.

Old Business:

None

New Business:

Agenda Items
Distribute Handout Materials
Approve Prior Meeting Notes
Guest Speakers
SCO Update
Department Issues/Concerns
Confirm Next Meeting Agenda, Time and Place

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Discussion:

Approved May 2004 meeting notes.

Guest Speaker: Kathleen Sanchez, CalPERS Office of Employer & Member Health Services (OEMHS), (916) 658-1242 indicated that they were still accepting feedback on the draft of the redesigned HBD-12 health enrollment form and the HBD-85 Cobra enrollment form. As part of the redesign project, OEMHS requested the users to review and provide their suggested changes to CalPERS. They have not received very many suggested changes from their users to date.

The changes CalPERS is planning to make to the HBD12 document are:

1. Move the section 14 signature to the back of the form so that it can be retained by the member as proof of what they have selected.
2. Remove or modify the reference to specific Health plans in the section that discusses dispute resolution. This is being done so that even if a Health plan is dropped, the form would not need modification to correct this section.
3. Currently, if a member cancels health coverage, there is a 90 day waiting period before they can re-enroll. Or in some cases they may need to wait for an open enrollment period. CalPERS is investigating the legal source of the 90 day wait period to re-enroll if members drop health coverage. Consideration is being given to reducing the wait time to re-enroll (TBD).

Any feedback or comments may be emailed to Kathy Sanchez at Kathleen_Sanchez@calpers.ca.gov

The speaker from the 21st Century Project was unable to attend the meeting. However, for updated information on the project, you can visit the 21st Century Project's web site at <http://www.21stcentury.ca.gov>. Also, you may register to receive email notices regarding the project through the Majordomo process. The registration instructions are located at: <http://www.21stcentury.ca.gov/subscribe/index.shtml>

SCO Update:

Reminder: The PPRC meeting notes are now being posted on the SCO web site instead of being sent to you via email. We try to post the notes on the web site within the month following the meeting. You can access this site at <http://www.sco.ca.gov/ppsd/pprc>

AB 2530: This legislation was recently modified to allow SCO to charge up to \$1.50 for each garnishment deduction. The same legislation will also allow SCO to raise the threshold for Accounts Receivable write-offs from \$5.00 to \$25.00. AB2530 was released from the Senate Appropriations Committee and should be voted on before the legislature adjourns at the end of August. Should the legislation be passed, it will become effective January 1, 2005.

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Agency Collection AR Pilot: We will be conducting a pilot program involving the establishment of agency collection AR's on all salary overpayments. So far, one department and two campuses have agreed to participate. As such, in mid-August all salary overpayments identified by PPSD staff (for these three agencies) will be established as agency collection A/R's. This will be a change from our current practice of sending a PR 250 notice of potential overpayment, and then waiting 60 days for a response. If you would like to participate in the pilot, please contact Ann Mitchell, at (916) 322-7978 or email at anmitchell@sco.ca.gov.

Negative/Positive 674's: To date, Payroll Operations' staff identified over (1100) 674's submitted to us unnecessarily. In all cases, the requested action was achieved when agency staff were contacted and instructed to key the appropriate PIP, MPC or PAR items. This outreach is being done to enhance the training of staff at the agency level, and save both the agency and Payroll Operations' staff valuable time in creating or processing these 674's.

AR Requests: Based on a recent increase in the volume of incoming 674's requesting AR's due to overpayments, we began tracking the reasons on the requests. During June 2004, we received over 4,000 Forms 674 AR, which is an average of over 180 documents a day. The purpose of tracking this information was twofold. First, we wanted to determine why there was increase in the AR workload and second we wanted to see what could be done to reduce this workload. From the data collected we found that:

1. Most of the AR's were requested because dock was either not keyed or keyed after Master payroll cutoff.
2. Many overpayments occurred because too much time was keyed via PIP.
3. PAR's did not include the correct locked in premium pay EID's.
4. Many employees were not correctly placed on PLP when returning from a disability leave.
5. A large number of master payroll warrants were released to the employees, even though the agency was aware of late dock.

Based on our findings, we believe the majority of AR requests can be reduced by the departments. By sharing this data, we hope you can isolate and hopefully reduce some of these overpayment conditions at your department. Also, we are very interested in finding out why many known overpayments are released to employees. Please contact Ann Mitchell at (916) 322-7978 or email at anmitchell@sco.ca.gov with this information. In addition, if you have any comments or suggestions regarding the above information, please let us know.

California Personnel Office Directory (CPOD): The CPOD is a widely used tool for contacting other department Human Resources staff. The directory includes the phone numbers, FAX numbers and email addresses if provided. Please be sure to update CPOD whenever you have changes. This link will take you directly to the home page of the CPOD for ease in updating: <http://www.sco.ca.gov/ppsd/cpod>.

Master Payroll Certification (MPC): We are running a report on the 15th of every month, which indicates which agency/reporting units have not cleared MPC. The Transaction Supervisors will be contacted if MPC is not keyed timely. We hope to save departments some time by allowing the system to automatically make transfers and adjustments. In many cases, departments are completing 674's requesting payments/adjustments rather than keying their MPC timely. If you have any questions or comments regarding this new process, please contact Ann Mitchell at (916) 322-7978, or email at anmitchell@sco.ca.gov.

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Suspended payments: There were some problems reported this month for payments suspended for the future pay period condition. The agencies told us they used the net of these payments to prepare salary advances for their employees. However, when the "f" condition was cleared, the nets had changed. This caused several employees to be overpaid because the actual net issued was less than it had been when the salary advances were created. We found that when the separations were keyed in late June with a July effective date, the system checked the reason for separation and applied the deduction restrictions. However, the system recalculates suspended payments in every cycle. In subsequent cycles, the system doesn't check the reason for the suspended payment nor does it check for deduction restrictions. In these cases some benefit deductions applied when the employee did not meet the criteria. For example, when the reason for separation is retirement or disability retirement and the effective date is prior to the 10th of the month, deductions are to be made from the retirement pay. We are refunding these deductions once we are aware of the problem. SCO programming staff will modify the system to allow payments to suspend and to make the system recheck the reason for the suspended payment and any related deduction restrictions. We should not have this same problem in future fiscal year crossovers.

Savings Bonds: Please do not refer your employees to us for savings bond information. Due to the confidentiality of information, we must work directly with the Human Resources offices. Also, Form 242 must be completed for new, changes or cancellation of bonds. This form can be printed from the DGS web site at www.documents.dgs.ca.gov/osp/pdf/std242.pdf.

Long Term Disability (LTD): Based on a request from DPA, the deduction amount for LTD was reduced \$0.00 for the June, July and August 2004 pay periods. Unfortunately, deductions for zero amounts (without state share) do not appear on employee's Statement of Earnings and Deductions. This may have caused some employees to think that they are not covered for LTD. The coverage is still in effect, even though the deduction is not displayed. However, the deductions are reflected on payment history. These deduction amounts will be increased for the September 2004 pay period. Also, DPA has asked that we hold all documents for new enrollments or changes until the first payroll cycle in September 2004. We will continue to process documents requesting cancellation of this specific deduction. For those departments who sent new enrollments during this time period, DPA is being given their information and will contact these employees to give them the opportunity to sign up for one of the new coverage options.

AR Leave/Offset Program: The Payroll Letter is being developed that will allow AR's to be satisfied with Leave Credits for employees in specific bargaining units. A special payment type has been created to issue the pay for the amount of leave being used to cover the amount of the AR. The Code 035 deduction is then applied to the payment resulting in minimal net to the employee. There are still some issues to be resolved, but we hope to issue a Payroll Letter in the near future.

State Disability Insurance (SDI): The SDI project is going according to plan. Here are highlights: 1) We just finished the functional requirements. 2) We're sending the requirements along with a myriad of other information by fax to prospective vendors on July 12th. 3) Vendors have until August 13th to submit proposals to work with us on this project. 4) We'll have a vendor selected by August 27th and have them on board and working on the project by September 20th.

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Final Vacant Position Report: The Final Vacant Position Report was run on June 30th and identified 6,065 positions that were vacant for six consecutive monthly pay periods. The report was mailed to departments on July 6th with a letter indicating the positions will be abolished effective July 1, 2004. Departments have until August 16th to request SCO to reestablish these vacant positions if they meet the self-certification criteria in GC 12439 Section (c 1-6). Requests for vacant positions to be reestablished after August 16th require Department of Finance approval.

Separation PARs: There are still significant problems with PAR documentation when the employee elects to defer some portion of their lump sum pay to the next calendar year. The following process must be used for employees separating in the current year and electing to defer some portion of that lump sum to the next tax year. Please note: anything after the close of the November pay period would be eligible for deferral to the next calendar year:

1. You must show only the amount of lump sum needed to extend through the November pay period.
2. Then, after January 1, you must correct the separation to show the total lump sum due. This will cause our system to generate the remainder of the lump sum pay. The lump sum adjustments will have an issue date in the next tax year and will be reportable in that year. If you show all lump sum on the original PAR, the pay will issue with a current year issue date and will all be included on the current year W-2. The W-2 will reflect all payments with issue dates between January 1 and December 31 every year regardless of the pay period.

We are seeing too many corrections to separations to move the employee to the blanket for their lump sum. These are being entered after the original pay has been issued. If the employee's lump sum should be paid out of a blanket, you should complete Item 636 on the separation PAR to show the appropriate blanket serial number.

We are also seeing 120 transactions entered on top of separation transactions, which is incorrect. If you want a portion of the lump sum transferred to another position, then you must request this via a Std. 674.

Garnishment Related Items: Here are some reminders for sending faxed documents for cutoff.

1. Due to our workload and especially during cut off, we are unable to verify or look for incoming faxes and/or mailed documents.
2. Fax documents should be sent in full page formats and must be in a readable quality. We are getting a lot of faxes that are coming in extremely poor quality, thus causing problems with keying accuracy.
3. The Garnishment fax number is **(916) 323-3449** and the Garnishment liaison is **(916) 323-0553 or 322-8687**. Please do not attempt to send faxes through the liaison number.
4. Please list your telephone extensions on all documents sent to SCO for processing.

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5. Do not re-fax documents. Sending a second, third and fourth Form 639 will not expedite the processing.

Questions/Answers:

Question: Now that the state-hiring freeze is over, do we have to include the reason for the exemption on the PAR?

Answer: No

Question: How can we issue overtime when it occurs in a split week, where some of the hours fall in one fiscal year and the balance in the new fiscal year?

Answer: If you have a need to track this it can be done manually in your office. There is no need to differentiate for payroll purposes.

Question: Can we see suspended payments on View Direct?

Answer: Yes. Please use the Report View and select the suspended payment report. This report is in Agency/ Reporting Unit order. If you have questions about this report, you may contact Lisa Lobertini @ (916) 327-3923.

Question: Should an employee who's on a PUN be on Direct Deposit?

Answer: This is at the agency's discretion, but most attendees were in agreement that the employee should not be on Direct Deposit.

Next Meeting:

The next Meeting is Thursday, September 9, 2004 from 1:30 to 3:30 at:

State Controller's Office
300 Capitol Mall, 6th Floor, Room 635
Sacramento, CA 95814

Listed below are the PPRC meeting dates for the remainder of the 2004 calendar year. All meetings are from 1:30 to 3:30 at the above location.

September 9, 2004
November 18, 2004

Should you have any questions regarding the PPRC meeting or have additional information to provide, please contact Don Ward at (916) 322-8805 or via e-mail at dward@sco.ca.gov